

# A Strategic Plan is NOT a Corporate Strategy

---

By Michael J. Berthelot

Ask almost any entrepreneur if they have developed a strategy, and they will proudly show off a business or strategic plan the size of the Manhattan yellow pages. Too often volume of data is substituted for clarity of thought when discussing the development of a strategy. In the author's view, developing a strategy is primarily an intellectual process that manifests itself in a clear statement as to the what, why, how and where of a company's reason for existing.

**There are five steps in developing a company's strategy:**

- Set out a *vision* of the future and the company's *objective*
- Lay out a process that tells *how we will achieve that vision and objective*
- Determine the metrics that will *define success*
- Consider the competitive and market *environments*
- Evaluate the adequacy of *resources*

**1. The questions that should be answered in developing the vision and goal should include:**

What is my vision for the company in five years? In ten years? What do I want my company to be? What will we be doing - what will we look like – what will be different from today in terms of our products, markets, size and profitability? If we will keep on doing what we're doing, say so.

What is the goal to be accomplished over the next five to ten years? Is it to become "xyz"? Is it to achieve a certain size in terms of sales, assets or market share? Is it to accomplish a specific objective, such as curing a disease, putting man on the moon, becoming number one in our industry?

The vision and goals should provide a clear and concise reason why an investor should invest in this company and why the employees should give up other opportunities to join the company's quest. Vision and objectives provide the emotional incentive necessary to keep a company moving forward. No company can exist over the long term if its objectives are purely financial.

**2. Once the vision and objectives are established, the strategy should describe how we will get there:**

- By developing new products?
- By providing the best customer service?
- By becoming the low cost producer?

- By being the high-engineering leader in the industry?
- By acquiring complementary businesses or product lines?
- By entering new product lines through acquisition or internally?
- By divesting parts of the current business that do not fit with or help implement the strategy or achieve our objectives?

My ninth-grade English teacher told us that there are only seven original plotlines in all of literature. Likewise, there are very few truly original strategies. Tactics, like the arrangement of the words on the page of a classic novel, may be as diverse as mankind itself, but the number of original literary plots remains seven. Don't confuse the details of implementing a strategy with the strategy itself.

**3. Establish measurable objectives to be achieved over the time period that will signal the success or achievement of that vision and the realization of the company's goals, such as:**

- Amount and relative percentage of sales from new products
- Customer satisfaction statistics/survey analyses
- Cost reduction targets
- Reputation through survey
- New program wins
- Market share gains
- Acquisitions or divestitures completed and success thereof
- Increase in revenue from new product lines
- Sales, profitability, or cash flow targets
- Enterprise value/shareholder value target through market capitalization or sale

Keep in mind that there is a distinction between the objective and the measurement of success in achieving the objective. Developing a wonderful new product that works perfectly and solves the problem may represent the achievement of the objective, but how will that success truly be measured? Sales volume may show its acceptance and actual use in solving the problem, as would market share gains. Of course, the measurement criteria should be determined in advance of implementing the strategy. Every objective is achieved when established in hindsight.

**4. Evaluating the market and competitive environment requires that the company:**

Define the markets the company is in, those it will enter, and those it will exit. What are their expected trends over the next five – ten years – growing, shrinking, by how much? Who said so? Why? How do these trends impact the strategy and ability to meet the objectives? Do they help or hinder?

Define the competitive landscape that the company operates in and what differentiates it from its competitors. Do old truths remain so? What is changing? What is the competitor's strategy? Is the competitor getting stronger or weaker? Are there new

competitors on the scene or looking at entering its markets? If not, why not? Does the market environment, pricing, profitability, or ease of entry suggest future competition?

No company operates in a vacuum. Today, information moves around the world at a rate like never before, and all competition is global. A strong dose of realism and “devil’s advocacy” can be of great value when assessing one’s market and competitive environments. Remember that competitors do not sit back and say “Look, they’re taking away our business” without some response. Be prepared.

**5. Execution is 99% of success. Can the strategy be implemented?**

Does the company have the resources necessary to implement the strategy and achieve its objectives in the market and in the face of competition? Does it have the necessary

- People (numbers, quality, skill sets)
- Products
- Facilities
- Marketing, compensation, manufacturing and quality programs
- Information technology/ERP systems
- Financing

to implement the strategy and achieve its objectives? If not, what will it have to do to get the necessary resources?

The answers to these five questions are generally already known to the entrepreneur – they are the reason for the establishment of the business in the first place. There are no spreadsheets or financial analysis required in developing a strategy. It is all thought and reasoning based upon the development of a vision and the steps necessary to achieve that vision. Further market, competitive, and financial analysis will certainly lead to refinements or changes to the strategy, objectives, metrics or other aspects, but they are not part of the strategy itself. The total length of a written strategy should be not more than two to five pages, the fewer the better. The strategy thus developed then becomes the basis for the preparation of the strategic and operating plans.

*About the author –*

Michael J. Berthelot, a member of the Chairmen’s Roundtable, spent twelve years as the CEO of an NYSE-listed multinational manufacturing company. He is currently a professional director and serves on the board of a publicly traded company as non-executive chairman. He earned a Bachelor’s of Science in Accounting from the University of Akron and an MBA from Cleveland State University. Since retiring as CEO, and in addition to his directorship, Mr. Berthelot writes, speaks, and teaches on corporate governance and “the discipline of business discipline”(SM). He can be contacted at [mberthelot@citocapitalcorp.com](mailto:mberthelot@citocapitalcorp.com).